Investment Section

CHIEF INVESTMENT OFFICER'S REPORT

INVESTMENT OVERVIEW

The Maryland State Retirement and Pension System returned 10.57 percent in fiscal year 2013. After the payment of benefits, the market value of assets increased by approximately \$3.2 billion, from \$37.2 billion on June 30, 2012 to \$40.4 billion on June 30, 2013. All major asset classes produced positive returns for the year, with the exception of the real return asset class. The fund exceeded its actuarial return target of 7.75 percent, and also solidly outperformed its policy benchmark of 8.48 percent.

Public equity was the best-performing asset class for the fiscal year, with a return of +19.1%. This return exceeded the public equity blended benchmark of +16.7%. The public equity program has three components. The U.S. public equity portfolio returned 21.6 percent, slightly beating the return of the Russell 3000 Index, which returned 21.5 percent. The international equity portfolio returned +16.4 percent compared to +13.6 percent for its benchmark, the Morgan Stanley Capital International (MSCI) All Country World ex-U.S. Index. The global equity portfolio returned +20.6 percent compared to +16.6 percent for its benchmark, the MSCI AC World Index, a broad measure of stock performance in the developed and emerging markets. The outperformance of the international and global equity programs relative to their respective benchmarks can be attributed to gains from the currency overlay program as a result of a strengthening U.S. dollar relative to foreign currencies, as well as active management.

The fixed income portfolio returned +1.1 percent, compared to -0.2 percent for its blended benchmark: 80 percent Barclays Capital (BC) Aggregate Index and 20 percent BC Global Bond Aggregate Index. The credit/debt strategies portfolio returned +13.4 percent compared to +5.1 percent for its blended benchmark: 50 percent BC Credit Index and 50 percent BC High Yield Index. The portfolio was established in 2009 to take advantage of the dislocation in the credit markets, and is expected to provide near equity-like returns at a reduced level of risk.

The real return portfolio returned -1.5 percent, compared to -3.8 percent for its blended benchmark, which consists of the following three components:

- 30 percent Dow Jones UBS Commodities Index (total return);
- 10 percent Consumer Price Index + 5 percent, with this second component having a maximum total benchmark return of 8 percent; and
- 60 percent inflation linked bonds (consisting of 50 percent BC U.S. Treasury Inflation-Protected Securities (TIPS) Index and 50 percent BC Global Inflation Linked (U.S. dollar hedged) Index).

The absolute return portfolio returned +3.4 percent, compared to +7.3 percent for its customized benchmark: Hedge Funds Research, Inc. (HFRI) Fund of Funds Index. The real estate portfolio returned +12.6 percent versus +12.0 percent for its blended benchmark: Wilshire U.S. Real Estate Securities Index (Wilshire RESI), National Council of Real Estate Investment Fiduciaries Property Index (NCREIF), and the Financial Times Stock Exchange European Public Real Estate Association (FTSE EPRA) /National Association of Real Estate Investment Trust (NAREIT) Global ex-U.S. indices (net).

The private equity program returned +11.7 percent, compared to the +8.9 percent return of its customized benchmark, the State Street Private Equity Index (one quarter lag).

The System's Terra Maria program returned +14.3 percent, compared to +13.8 percent for its customized benchmark. As more fully described below, the program is comprised of smaller investment management firms focusing primarily on equity and fixed income investments.

INVESTMENT POLICY AND OBJECTIVES

The Board of Trustees is charged with the responsibility of managing the assets of the Maryland State Retirement and Pension System. In doing so, the Board is required to exercise its fiduciary duties solely in the interest of the participants with the care, skill and diligence that a prudent person would exercise under similar circumstances. This standard of care encourages diversifying investments across various asset classes.

Investment objectives are designed to support fulfillment of the System's mission to optimize risk-adjusted returns to ensure that sufficient assets are available to pay benefits to members and beneficiaries when due. As a long-term investor, the System understands that short-term market returns will fluctuate.

Investment objectives are implemented according to investment policies developed by the Board. The "prudent person standard" allows for setting investment policies and delegating authority to investment professionals employing active and passive strategies. Firms retained must have a demonstrated performance record and a clearly defined and consistently applied investment process.

The Board manages the System's assets with the goal of achieving an annualized investment return that over a longer term time frame:

1. **Meets or exceeds the System's Investment Policy Benchmark.** The Investment Policy Benchmark is calculated by using a weighted average of the Board-established benchmarks for each asset class. The benchmark enables comparison of the System's actual performance to a proxy and measures the contribution of active management and policy implementation to overall fund returns;

2. **In nominal terms, equals or exceeds the actuarial investment return assumption of the System adopted by the Board.** The actuarial rate of interest as of June 30, 2012 was 7.75 percent. The actuarial investment return assumption functions as an estimate of the long-term rate of growth of the System's assets. The Board has determined that this assumption will reduce .05% each year for the next four years, until it reaches 7.55%. In adopting an actuarial return assumption, the Board anticipates that the investment portfolio may achieve higher returns in some years and lower returns in other years; and

3. **In real terms, exceeds the U.S inflation rate by least 3 percent.** The inflation related-objective compares the investment performance against a rate of inflation measured by the Consumer Price Index (CPI) plus 3 percent. The inflation measure provides a link to the System's liabilities, which have an embedded sensitivity to changes in the inflation rate.

The Board also weighs the following three liability-oriented objectives when making asset allocation determinations. The liability-oriented objectives are:

1. To achieve and maintain a fully funded pension plan;
2. To minimize contribution volatility year to year; and
3. To achieve surplus assets.

Asset allocation is a key determinant of a successful investment program. The Board considers the System's assets and liabilities when determining its asset allocation policy.

Asset allocation long-term policy targets are determined by recognizing that liabilities (future benefit payments to the System's participants and beneficiaries) must be paid in full and on time. To ensure this, there is a dual focus. First, there is a focus on long-term return, to ensure that an attractive rate of return on plan assets can be earned over the period that benefits must be paid. Secondly, there is a focus on risk. This involves diversifying assets with a recognition that while individual asset classes can be volatile over short time horizons, diversification will often serve to lower overall portfolio volatility.

The Board's long-term asset class targets and ranges as of June 30, 2013 are shown below.

ASSET CLASS	LONG-TERM POLICY TARGET	RANGE
Domestic Equity		
International Equity		
Global Equity		
Total Public Equity	**35%**	**+/-4%**
Private Equity	10%	+/-4%
Fixed Income	10%	+/-4%
Credit / Debt Strategies	10%	+/-4%
Real Estate	10%	+/-4%
Real Return	14%	+/-4%
Absolute Return	10%	+/-4%
Cash	1%	0-5%
TOTAL ASSETS	**100%**	

Due to the requirements of enacting a prudent pacing schedule to achieve full allocations to private market assets such as private equity and real estate, transitional allocations are implemented as assets are gradually and prudently deployed to private market asset classes. Assets not yet deployed to private equity, credit/debt strategies and Absolute Return are assigned to the public equity transitional target. Assets not yet deployed to real estate and real return are assigned to the fixed income transitional target.

INVESTMENT PERFORMANCE

Investment performance is calculated using time-weighted rates of total return. Total return includes interest and dividends, as well as capital appreciation.

The investment program realized a return of 10.57 percent for fiscal year 2013. Annualized returns for the 3-, 5-, 10-, 20- and 25-year periods ending June 30, 2013 were 10.0 percent, 4.0 percent, 6.6 percent, 6.6 percent and 7.8%, respectively.

	FY 2013 SRPS Performance	FY 2013 Benchmark Performance	SRPS Exposure June 30, 2013
Public Equity	19.1%		42.3%
Custom Benchmark		16.7%	
U.S. Equity	21.6%		11.6%
S&P 500		20.6%	
Russell 3000		21.5%	
International Equity	16.4%		13.8%
MSCI ACWI ex. U.S.		13.6%	
MSCI EAFE		18.6%	
MSCI Emerging Markets		2.9%	
MSCI World ex U.S.		17.1%	
Global Equity	20.6%		17.0%
MSCI AC World		16.6%	
Private Equity	11.7%		6.2%
Custom State Street PE		8.9%	
Fixed Income	1.1%		16.2%
Custom Benchmark		-0.2%	
BC Aggregate		-0.7%	
BC Global Bond Agg		1.7%	
Credit / Debt Strategies	13.4%		8.4%
Custom Benchmark		5.1%	
BC Credit		0.8%	
BC High Yield		9.5%	
Real Estate	12.6%		5.8%
Custom Benchmark		12.0%	
Wilshire RESI		8.4%	
NCREIF		10.5%	
FTSE EPRA NAREIT		18.4%	
Real Return	-1.5%		12.0%
Custom Benchmark		-3.8%	
Absolute Return	3.4%		7.3%
Custom Benchmark		7.3%	
TOTAL FUND	**10.6%**	**8.5%**	

The SRPS allocation as of June 30, 2013 reflects the ranges and transitional targets as described in the previous section.

ECONOMIC AND CAPITAL MARKET OVERVIEW

Fiscal 2013 proved to be a strong year for most equity and credit risk assets. The Federal Reserve continued its quantitative easing program of monthly purchases of Treasury and mortgage bonds in an effort to keep interest rates depressed while stimulating economic growth and employment. In part as a result, the labor and housing markets continued to gradually recover, which helped support both consumer spending and confidence. Against this backdrop, fiscal policy remained restrictive with anticipated federal spending continuing to tighten with the imposition of across-the-board cuts, or "sequestration," beginning in 2013. U.S. Gross Domestic Product grew at a modest 1.8% rate for the fiscal year while inflation remained in check at 1.4%.

The U.S. public equity market generated a return of 21.5%, as represented by the Russell 3000 index. This return once again exceeded the performance of developed and emerging non-U.S. equities in the fiscal year. The Euro area continued to suffer from very weak economic conditions resulting from bank deleveraging and credit contraction. In spite of this near-zero growth environment, foreign equities were able to produce a 13.6% return, as represented by the MSCI All-Country World ex-U.S. index, as European Central Bank President Mario Draghi calmed investor fears by vowing to do "whatever it takes" to support the unified currency, the Euro. This proclamation also had the effect of reducing the sky-rocketing bond yields of some of the peripheral countries. Emerging markets struggled during the fiscal year, particularly in the second half of the year as expectations of the Federal Reserve tapering its bond-buying program intensified. This led to a depreciation of both the local currency and asset prices in many countries as the yield attractiveness came into question. In addition, the continued economic slowdown in China acted as a drag on performance. For the fiscal year, emerging markets eked out a positive gain of 2.9%, as measured by the MSCI Emerging Markets Index.

The fiscal year proved to be a difficult environment for fixed income investments. Interest rates were near all-time lows as investors had flocked to the relative safety of bonds in 2012, and the Federal Reserve continued its Quantitative Easing (QE) program. In May 2013, the Federal Reserve indicated that it could begin to taper the purchases of securities within the QE program, leading to a rapid rise in long-term rates in May and June. This led to poor fixed income performance, particularly in the last quarter of the fiscal year. The Barclays Capital Aggregate Bond Index returned -0.7% for the fiscal year. However, lower quality bonds with less duration exposure fared much better, as represented by the 9.5% return of the Barclays Capital High Yield Index.

In summary, fiscal year 2013 saw a reversal of what occurred the prior year as stocks experienced strong returns and bonds struggled. Fiscal year 2013 was characterized by continued global central bank intervention resulting in historically low interest rates. This environment compelled many investors to search for higher yield in the form of risk assets. Generally, these risk assets provided strong returns, particularly in the U.S. where the recovery is stronger than most other countries.

PUBLIC EQUITIES

As of June 30, 2013, approximately $17.0 billion of total assets were invested in public equities, representing 42.3 percent of total assets. The public equity program has three components: U.S. equities, international equities and global equities. The program is constructed without a home country bias. Accordingly, the weightings of the three components are adjusted from time-to-time, reflecting the investable global public equity opportunity set.

The System's Terra Maria program, which is discussed below in more detail, is an integral part of the public equities asset class. At June 30, 2013, 74.5 percent of the Terra Maria program was invested in public equities with 43.3 percent in U.S. equities. Each of the managers in the Terra Maria program has an active management mandate.

A. **U.S. Equities**

As of June 30, 2013, approximately $4.6 billion or 11.6 percent of total assets was invested in U.S. public equities. Passively and enhanced passively managed equities totaled $3.1 billion, while actively managed assets outside of the Terra Maria program totaled $331 million and Terra Maria program assets were $1.2 billion, representing 7.8 percent, 0.8 percent, and 3.0 percent of total assets, respectively.

U.S. Equity	$ Millions	% of Total Plan
Passively Managed	**$3,121.5**	**7.8%**
Actively Managed (exclude T.M.)	**$330.9**	**0.8%**
Terra Maria Program	**$1,197.4**	**3.0%**
Total U.S. Equity	**$4,649.9**	**11.6%**

For FY 2013, U.S. equities returned 21.6 percent, compared to 21.5 percent for its benchmark, the Russell 3000 Index.

B. **International Equities**

As of June 30, 2013, approximately $5.5 billion or 13.8 percent of total assets were invested in international equities. Passively managed assets totaled approximately $2.4 billion, while actively managed assets outside of the Terra Maria program totaled approximately $2.2 billion and Terra Maria assets were $0.8 billion, representing 6.1 percent, 5.5 percent and 2.1 percent of total assets, respectively. As more fully described below, the System has instituted a currency overlay program which is designed to protect the value of some foreign equities in a rising dollar environment and reduce volatility.

International Equity	$ Millions	% of Total Plan
Passively Managed	**$2,445.7**	**6.1%**
Actively Managed (exclude T.M.)	**$2,195.6**	**5.5%**
Terra Maria Program	**$844.7**	**2.1%**
Currency Overlay	**$53.6**	**0.1%**
Total International Equity	**$5,539.9**	**13.8%**

For FY 2013, international equities returned 16.4 percent compared to 13.6 percent for its benchmark, the MSCI All Country World ex-U.S. Index.

C. Global Equities

As of June 30, 2013, approximately $6.8 billion or 17.0 percent of total assets were invested in global equities. Actively managed long-only assets outside of the Terra Maria program totaled $4.2 billion; Terra Maria assets were $18.1 million, and actively managed long-short assets totaled $1.3 billion, representing 10.5 percent, 0.05% percent, and 3.2 percent of total assets, respectively. The currency overlay program, which is designed to protect the value of some foreign equities in a rising dollar environment and reduce volatility, is also applied to the global equity program.

Global Equity	$ Millions	% of Total Plan
Passively Managed	**$1,312.6**	**3.3%**
Actively Managed (exclude T.M.)	**$5,492.2**	**13.7%**
Terra Maria Program	**$18.2**	**0.05%**
Currency Overlay	**$16.1**	**0.0%**
Total Global Equity	**$6,839.1**	**17.0%**

For FY 2013, global equities returned 20.6 percent compared to 16.6 percent for its benchmark, the MSCI All Country World Index.

CURRENCY MANAGEMENT PROGRAM

The currency management program was implemented in April of 2009, and is managed by Record Currency Management. An objective of the program is to provide insurance against a strengthening dollar, which could negatively impact returns from foreign currency-denominated equities. The manager uses a systematic currency overlay strategy and generally does not make fundamental currency valuation assessments. The strategy is also dynamic in that the degree to which currency hedging is applied changes depending on currency market conditions. As a general rule, the manager uses low hedge ratios when the dollar is weak and high hedge ratios when the dollar is strong.

During fiscal year 2013, the currency program added value in the international and global public equity programs as the U.S. dollar strengthened relative to other currencies. The gain to the System's portfolio as a result of using this systematic currency overlay strategy was $106.4 million. In addition to having a positive impact on performance during the fiscal year, it has served to reduce volatility and improve the risk/return profile of the international and global equity programs since its inception.

PRIVATE EQUITY

As of June 30, 2013, private equities totaled roughly $2.5 billion, or 6.2 percent of total assets. This asset class includes buyouts, growth equity, venture capital, secondaries and funds-of-funds.

In fiscal year 2013, commitments were made to 17 private equity funds totaling $998 million. Since the inception of the private equity program, commitments have been made totaling roughly $5.4 billion to 116 different funds. In fiscal year 2013, the private equity program returned 11.7 percent, compared to the benchmark's return of 8.9 percent.

In fiscal 2014, we expect that exposure to private equity will continue to increase toward its long-term targeted levels as unfunded commitments of $2.5 billion are drawn down by the fund managers. Since the end of the recession, we have seen a return to a more normal cycle of distributions and capital calls and expect this to continue. It will take several more years for the target allocation of 10.0 percent to be reached in a prudent manner.

FIXED INCOME

Fixed income markets struggled during fiscal 2013 as interest rates rose sharply at the end of the fiscal year. The 10 year treasury rate started the fiscal year at 1.65%, which was mainly driven by the Fed's QE programs and slow, albeit positive, economic growth. The 10 year treasury ended the fiscal year at 2.5%. Lower grade credit securities performed well as credit spreads contracted early in the fiscal year and were relatively unchanged the rest of the fiscal year. As of June 30, 2013, fixed income holdings represented $6.5 billion, or 16.2 percent of total assets. The relative performance of the fixed income portfolio was strong, returning 1.1 percent for the fiscal year, versus -0.2 percent for the fixed income benchmark.

CREDIT/DEBT STRATEGIES

The credit/debt strategies portfolio totaled approximately $3.4 billion, representing 8.4 percent of total plan assets as of June 30, 2013. Investments in this asset class are held in both liquid and illiquid structures. The System has funded the program principally with mezzanine and distressed debt, high yield and investment grade bonds, bank loans and emerging market debt. The portfolio has a blended benchmark of 50 percent Barclays U.S. Credit Index and 50 percent Barclays U.S. High Yield Index. The portfolio returned 13.4 percent for the fiscal year, versus 5.1 percent for its benchmark. The outperformance relative to the benchmark was primarily due to overweight exposure to high yield and the strong performance of the System's distressed debt investments.

In fiscal 2014, we expect the allocation to the credit/debt strategies portfolio will continue to increase toward its long-term target of 10 percent of plan assets, as unfunded commitments are drawn down and additional funds are allocated to credit-related investments.

REAL ESTATE

The real estate portfolio returned 12.6 percent in fiscal year 2013, versus 12.0 percent for its custom benchmark, a blend of the NCREIF, FTSE-EPRA NAREIT and Wilshire indices. At the end of the fiscal year, real estate accounted for 5.7 percent of total assets, valued at $2.3 billion. The program includes publicly-traded securities and private investment funds.

Performance of institutional-quality private real estate is reflected in the results of the NCREIF property index, a widely utilized measure of privately-owned commercial real estate. The NCREIF property index returned 10.5 percent for the twelve months ending March 31, 2013. Returns for all four major property types were positive during the period. Retail was the top performer for the year followed by apartments, industrial and office. Retail returns were driven by strong performance in regional and super regional malls.

Public real estate securities, as measured by the Wilshire Real Estate Securities Index and the FTSE EPRA Global ex-U.S. Index, had one-year returns of 8.4 percent and 18.4 percent respectively.

Cap rates for core properties remain low on an absolute level although at a wide spread to some fixed income alternatives.

REAL RETURN

The real return portfolio totaled approximately $5.1 billion, representing 12.6 percent of total assets as of June 30, 2013. The objectives of this asset class are to provide a level of protection against inflation and event risk, and to enhance diversification for the total fund. As of June 30, 2013, the largest components of the asset class were Treasury Inflation Protected Securities (TIPS) and global inflation-linked bonds totaling $3.0 billion, or 7.5 percent of total assets. This component had returns of -3.9 percent, given low inflation expectations in most markets. There was also an allocation to commodities, representing $1.2 billion, or 3.1 percent of total assets. The remaining assets consist of publicly-traded Master Limited Partnerships (MLPs) and private investments in infrastructure, timber and energy-related assets.

The real return portfolio returned -1.5 percent in fiscal 2013 versus -3.8 percent for its custom benchmark. The main drivers of outperformance relative to the benchmark were commodities, MLPs, timber, and private energy-related investments.

ABSOLUTE RETURN

The Absolute Return portfolio totaled approximately $2.9 billion, representing 7.3 percent of total assets as of June 30, 2013. The portfolio consists of three global macro funds, two multi-asset strategies and two funds-of-funds. Its goal is to provide diversification for the total plan through its low correlation to the broad financial markets. The portfolio underperformed its benchmark in fiscal 2013, returning 3.4 percent versus 7.3 percent for the HFRI Fund of Funds Composite Index.

TERRA MARIA PROGRAM

The Terra Maria program seeks to identify promising smaller or developing managers. The seven existing public market program managers serve as an extension of staff to source investment managers, perform manager due diligence, monitor managers and prepare manager "hire/fire" and funding recommendations. The seven program managers are Attucks Asset Management, Bivium Capital Partners, Capital Prospects, FIS Group, Leading Edge Investment Advisors, Northern Trust Global Advisors and Progress Investment Management Company.

Terra Maria publicly-traded assets totaled approximately $2.8 billion, or 6.9 percent of total assets at June 30, 2013. The program returned 14.3 percent for the fiscal year, compared to the custom benchmark return of 13.8 percent. The relative performance results remain positive since the April 2007 inception of the program.

During fiscal year 2011, the Terra Maria program was expanded to include investments in private equity partnerships. Since the beginning of fiscal year 2011, commitments totaling over $1.6 billion to 21 emerging or women/minority-owned funds of private equity or other alternative assets have been made. In the Terra Maria program as well as in other parts of the fund's portfolio, the Chief Investment Officer has the ultimate responsibility for making manager selection and termination decisions, and for determining funding allocations.

CONCLUSION

Fiscal year 2013 was a very strong year for investment returns as the System substantially outperformed both the actuarial return assumption and the policy benchmark. The fiscal year was marked by continued stimulative monetary policy globally, which kept interest rates near all-time lows. Unlike the prior fiscal year, riskier assets outperformed more conservative assets as investors flocked to higher-return opportunities. The uncertainties going forward are many. Global growth and employment are not as robust as in previous recoveries since the deleveraging process continues nearly five years after the financial crisis. Also unknown are the extent to which global growth and the recovery are dependent on accommodative monetary policy and the effect any pullback might have on the economy and capital markets. It is because of this uncertainty that maintaining a balanced and diversified investment program is paramount.

I would like to take this opportunity to acknowledge the continued hard work and dedication of the Agency's investment staff and consultants. I am also grateful for the guidance and support of the Board of Trustees as we continue to manage the fund in the best interests of its participants and beneficiaries.

Respectfully submitted,

A. Melissa Moye, Ph.D.
Chief Investment Officer

This page intentionally left blank

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

INVESTMENT PORTFOLIO SUMMARY
as of June 30, 2013 and 2012
(Expressed in Thousands)

	2013		2012	
	Fair Value	**% of Fair Value**	**Fair Value**	**% of Fair Value**
Fixed Income				
Fixed Income	$ 6,451,411	16.0 %	$ 7,164,345	19.2 %
Credit Opportunity	3,050,085	7.6	2,847,245	7.8
(2) Net cash & cash equivalents (manager)	422,424	1.0	12,463	0.0
Total Fixed Income	9,923,920	24.6	10,024,053	27.0
Public Equity				
Domestic stocks	4,584,119	11.4	4,730,999	12.8
Global stocks	6,754,625	16.8	5,218,166	14.1
International stocks	5,395,887	13.4	5,397,205	14.5
(2) Net cash & cash equivalents (manager)	294,218	0.7	373,729	1.0
Total Equity	17,028,849	42.3	15,720,099	42.4
Absolute Return	2,916,382	7.3	2,533,355	6.8
Private Equity	2,504,902	6.2	2,107,611	5.7
Real Estate (includes private)	2,308,141	5.7	2,342,354	6.4
Real Return	4,531,897	11.3	3,405,411	9.2
(2) Net cash & cash equivalents (manager)	526,081	1.3	293,384	0.8
(1) Cash (non-manager)	510,557	1.3	646,343	1.7
Total Portfolio	$ 40,250,729	100.0 %	$ 37,072,610	100.0 %

(1) Security Lending collateral payable has been netted against the actual collateral. The amounts net to zero.

(2) Includes investment receivables and payables.

Note: This schedule includes assets invested on behalf of the Maryland Transit Administration.

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

INVESTMENT PORTFOLIOS BY MANAGER
as of June 30, 2013
(Expressed in Thousands)

	Fair Value	Investment Advisory Fees
Public Equity		
State Street Global Advisors	$ 4,212,821	$ 2,251
Equity Long Short (1)	1,277,645	7,526
RhumbLine Advisors	1,160,844	75
D E Shaw & Co., LP	850,192	2,155
Baillie Gifford & Company	649,247	3,096
Templeton Investment Counsel, Inc.	625,140	2,149
Acadian Asset Management	594,363	2,049
AQR Capital Management, LLC	577,241	2,043
T. Rowe Price Associates, Inc.	533,432	2,482
Artisan Partners Limited Partnership	530,661	3,120
Brown Capital Management	483,483	2,781
Northern Trust Global Advisors, Inc.(1)	470,757	2,175
Dimensional Fund Advisors, Inc.	428,914	2,259
FIS Group, Inc.(1)	359,134	2,024
Longview Partners Ltd.	324,658	1,837
Capital Prospects, LLC (1)	322,667	1,764
Goldman Sachs Asset Management	319,906	1,532
Leading Edge Invest. Advisors, LLC (1)	317,617	2,515
Bivium Capital Partners(1)	310,041	2,096
Earnest Partners	302,250	1,963
UBS Global Asset Management, Inc.	288,783	1,223
Attucks Asset Management, LLC (1)	279,990	1,914
Relational Investors, LLC	219,608	2,342
Genesis Asset Management	206,397	1,760
Robeco Investment Management	185,317	1,485
Zevenbergen Capital Investment LLC	111,346	650
Record Currency Management	69,745	8,604
Capital International Investments	39,160	368
Other (2)	977,489	16,935
	$ 17,028,849 (3)	$ 83,173 (4)

	Fair Value	Investment Advisory Fees
Fixed Income		
Western Asset Management	$ 1,512,887	$ 2,476
Pacific Investment Management Company	1,488,958	3,171
Aberdeen Asset Management, Inc.	574,882	1,025
Pyramis Global Advisors	571,253	731
Principal Global Investors	563,944	691
State Street Global Advisors	515,934	167
Dodge & Cox	399,385	598
Goldman Sachs Asset Management	394,727	767
Progress Investment Management (1)	293,467	583
Northern Trust Global Advisors, Inc.(1)	153,411	371
Attucks Asset Management, LLC (1)	109,691	376
Capital Prospects, LLC (1)	65,747	146
Leading Edge Invest. Advisors, LLC (1)	62,377	282
Bivium Capital Partners (1)	19,934	110
Other (2)	0	1,441
	$ 6,726,597 (3)	$ 12,935 (4)
Credit/Debt Related (1)	3,197,324	45,006
Real Return (1)	5,035,257	23,130
Absolute Return (1)	2,924,995	27,166
Private Equity Funds (1)	2,504,901	53,838
Real Estate		
Private Real Estate (1)	1,647,741	21,207
Morgan Stanley Investment Management	363,919	2,444
LaSalle Investment Management, Inc.	291,967	930
Record Currency Management	7,362	434
Other (2)	11,260	3,313
Cash - Internally Managed	510,557	N/A
	16,495,283 (3)	177,468 (4)

(1) Sub-managers separately listed on the following pages
(2) Consulting fees and/or investment managers no longer under contract as of 6/30/13
(3) Includes assets invested on behalf of the Maryland Transit Administration
(4) Includes management fees allocated to the Maryland Transit Administration.

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

INVESTMENTS RELATIONSHIP LISTINGS

as of June 30, 2013

Private Equity

.06 Ventures II
Abbott Capital Private Equity Fund III
ABS Capital Partners VI LP
ABS Capital Partners VII LP
Adams Street Partners LLC
Advent Central & Eastern Europe IV LP
Advent International GPE V-D LP
Advent International GPE VI-A LP
AIF Capital Asia IV
Alchemy Partners LP
Apax Europe VI-A LP
Apax Europe VII-A LP
Apax France VIII
Apollo Investment Fund VII (AIF) LP
Arcadia II Beteiligungen BT GmbH & Co
Audax Private Equity Fund II LP
Audax Private Equity Fund III LP
Audax Private Equity Fund IV LP
Azure Capital Partners II LP
Azure Capital Partners III LP
Bain Capital Fund IX LP
Bain Capital IX Coinvestment Fund LP
Bain Capital Fund X LP
Bain Capital X Coinvestment Fund LP
BC European Capital VIII LP
BC European Capital IX LP
Black River Capital Partners Fund (Agriculture A) LP
Blackstone Capital Partners VI
Brazos Equity Advisors III LP
Bunker Hill Capital II LP
Calvert Street Capital Partners III
Camden Partners Strategic Fund IV
Carlyle Partners V LP
Charterhouse Capital Partners VIII LP
Charterhouse Capital Partners IX LP
Clayton, Dubilier & Rice Fund VIII
Collar Capital Partners VI
Commonwealth Capital Ventures IV LP
Court Square
Crescent Capital Partners IV
CVC European Equity Partners V-B LP
Dover Street VII LP
ECI 8 LP
ECI 9 LP
Equistone Partners Europe IV
Everstone Capital Partners II LLC
Fort Point Capital I
Frazier Healthcare V LP
Frazier Healthcare VI LP
Frontier Fund
Goldman Sachs Vintage Fund V LP
Graphite Capital Partners VII
Graphite Capital Partners VII Top Up
Great Hill Equity Partners III
Great Hill Equity Partners IV
Hancock Park Capital III
HarbourVest Partners VI Buyout Fund
HarbourVest Partners VI Partnership Fund
Hellman & Friedman Investors VI LLC
Hellman & Friedman Investors VII LLC
HgCapital 5 LP
HgCapital 6A LP
Hg Mercury
IVC Partners III
KKR European Fund III LP
Landmark Equity Partners XIV
Lexington Capital Partners VII
Lion Capital Fund I LP
Lion Capital Fund II LP
Lion Capital Fund III
Littlejohn Fund III LP
Littlejohn Fund IV LP
Lombard Asia
Longitude Venture Partners LP
Longitude Venture Partners II LP
Madison Dearborn Capital Partners V LP
Madison Dearborn Capital Partners VI LP
MD Asia Investors, LP
Navis Asia Fund VI
New Mountain Partners III LP
North Sky Clean Tech Fund IV LP
Orchid Asia V
Partners Group Secondary 2008 LP
Partners Group Secondary 2011 LP
Partners Group Emerging 2011 LP
Permira IV LP 2
Private Equity Partners Fund IV
Quaker BioVentures II
Riverside Capital Appreciation V LP
Riverside Europe Fund IV LP
RLH Investors II LP
RLH Investors III LP
Siris Partners II
Summer Street Capital Fund II LP
Summer Street Capital Fund III LP
Symmetric Partners LP
TA X LP
TA XI LP
TPG Partners VI LP
Triton Fund III
Valhalla Partners II LP
Vector Capital IV LP
Vestar Capital Partners V LP
Vista Equity Partners IV
Wind Point Partners VII LP
Yucaipa American Alliance Fund II LP

Real Estate

AEW Senior Housing Fund II
CB Richard Ellis Strategic Partners Europe Fund III
CB Richard Ellis Strategic Partners UK Fund III
CB Richard Ellis Strategic Partners US Value 5 LP
CB Richard Ellis Strategic Partners US Value 6 LP
Chesapeake Maryland Limited Partnership
Europe Fund III LP
Federal Capital Partners II
Frogmore Real Estate Partners II
GI Partners Fund III LP
JER Real Estate Partners Fund IV LP
JP Morgan Investment Management Inc
Lion Industrial Trust
Lone Star Real Estate Fund II
Lubert Adler Real Estate Fund III
Lubert Adler Real Estate Fund VI
Lubert Adler Real Estate Fund VI-A
MGP Asia Fund III LP
PRISA II (Prudential Real Estate Investors)
Realty Associates Fund IX
Realty Associates Fund X
Rockwood Capital Real Estate Partners Fund VIII LP
Secured Capital Japan Real Estate Partners Asia LP
Secured Capital Japan Real Estate Partners IV LP
Starwood Debt Fund II LP
Starwood Hospitality Fund II

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

INVESTMENTS RELATIONSHIP LISTINGS
as of June 30, 2013
(continued)

Real Return

Alinda Infrastructure Fund II
Arbalet Commodity Strategies Fund
Astenbeck Commodities Fund
Black River Commodity Trading Fund
BlackRock DJ-UBS Commodity Fund
CCM Diversified I
Edesia Commodities Dynamic Agriculture Fund
EIF Power Fund IV
First Reserve Fund XII LP
Global Timber Investors 9
Gresham Investment Management LLC
Hancock Timber X LP
Harvest Fund Advisors
Koppenberg Macro Commodity Fund
Natural Gas Partners VIII LP
Natural Gas Partners IX LP
Natural Gas Partners X LP
NGP Midstream & Resources LP
PIMCO Global Inflation Linked Bonds
Quantum Energy Partners IV LP
Quantum Energy Partners V LP
RMS Forest Growth III
Schroder Commodity Fund
SSGA US Tips
Taylor Woods Partners
Timbervest Partners III LP
Tortoise Capital Advisors
Vermillion/Celadon Commodities Fund
Western Global Inflation Linked Bonds
White Deer Energy

Absolute Return

BlackRock Global Ascent
Bridgewater All Weather
Bridgewater Pure Alpha
DGAM Diversified Strategies Fund
Mellon Global Alpha II
PIMCO All Asset
Rock Creek Potomac Fund

FIXED INCOME RELATIONSHIP LISTINGS
as of June 30, 2013

Credit/Debt Related

AG-GECC Public-Private Investment Fund LP
Alchemy Special Opps Fund II
Anchorage Capital Group
Blackrock Credit Investors II
Brigade Leveraged Capital Structures Fund LP
CarVal Credit Value Fund A LP
CarVal Credit Value Fund II
Clearlake Capital Group
Crescent Capital Mezzanine Partners VI
EIG Energy Fund XV
Falcon Strategic Partners III
Falcon Strategic Partners IV
King Street Capital
KKR Flexible Credit
KKR Mezzanine Partners 1
LBC Credit Partners II LP
Marathon Public Private Investment Fund
Merit Mezzanine Fund V
Neuberger Berman Flexible Credit
Oaktree Capital Management
Oaktree Opportunity Fund VIII
Oaktree Opportunity Fund VIIIB
Oaktree European Principal Fund III
Oaktree Principal Fund V
Park Square Capital Partners II
Partners Group European Mezzanine 2008 LP
Peninsula Fund V
Perella Weinberg Partners
Prudential Capital Partners III
Prudential Capital Partners IV
SSGA Emerging Markets Debt
TA Subordinated Debt Fund III
Varde Fund X
Wayzata Investment Partners III

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

TERRA MARIA PROGRAM

as of June 30, 2013

Terra Maria Program

Attucks Asset Management
Advent Capital Management
Apex Capital Management
Brown Investment Advisory
Campbell Newman Asset Management
Chicago Equity Partners
Fourpoints Asset Management
Globeflex Capital LP
GW Capital Inc
Hanseatic Management Services Inc
Hughes Capital Management
LM Capital Group LLC
Lombardia Capital Partners LLC
Mar Vista Investment Partners
Nicholas Investment Partners
Opus Capital Management
Paradigm Asset Management Co.
Seizert Capital Partners
The Edgar Lomax Company
Thomas White International LTD
Bivium Capital Partners
ARGA Investment Management LP
Aristotle Capital Management
Bailard Inc
Chautauqua Capital Management LLC
Cheswold Lane Asset Management LLC
Cornerstone Capital Management Inc
Cupps Capital Management
Phocas Financial Corporation
SW Asset Management LLC
Vulcan Value Partners
WCM Investment Management
Capital Prospects LLC
AH Lisanti Capital Growth LLC
Bernzott Capital Advisors
Geneva Capital Management Ltd
Inview Investment Management LLC
Lesa Sroufe & Co.
Matrix Asset Advisors Inc
Next Century Growth Investors LLC
Paradigm Asset Management Co LLC
Piedmont Investment Advisors LLC
Profit Investment Management
Redwood Investment LLC
Twin Capital Management Inc
Valley Forge Asset Management
Walthausen & Co LLC

Bold denotes Program Manager for the Terra Maria Program

FIS Group
Advanced Investment Advisors
Ativo Capital Management
Boston Common Asset Management
Channing Capital Management LLC
Greenfield Seitz Capital Management LLC
Hanoverian Capital Management
New Amsterdam Partners
Seizert Capital Partners
Somerset Capital Group
Stux Capital Management LCG
Thomas White International Ltd
Victoria 1522 Investments
Leading Edge Investment Advisors
Apex Capital Management
Driehaus Capital Management LLC
Gratry & Company Inc
Herndon Capital Management
Kirr, Marbach & Co.
Markston International LLC
New Century Investment Management Inc
Nicholas Investment Partners
Penn Capital Management Co Inc
Reed, Conner & Birdwell
SIT Investment Associates Inc
Westwood Global Investments
Northern Trust
ClariVest Asset Management LLC
Cornerstone Investment Partners
Dolan McEniry Capital Management
Herndon Capital Management
Hexavest Inc
JK Milne Asset Management
Lombardia Capital Partners
Longfellow Investment Management
Magee Thompson Investment Partners
New Century Advisors
Profit Investment Management
Riverbridge Partners
Signia Capital Management
Sky Investment Council
Strategic Global Advisors
Summit Creek Advisors
Progress Investment Management
Ambassador Capital Management
Garcia Hamilton
New Century Advisors
Pugh Capital Management Inc

Equity Long Short

Amici Qualified Associates
Hoplite OnShore
Indus-Pacific Opportunities Fund
Marshall Wace Eureka Fund
Neon Liberty Capital Management
Scopia Capital Management
Stelliam Fund
Tiger Consumer Management

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

EQUITY COMMISSIONS TO BROKERS
for the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

Brokers (1)	Total Shares	Total Commission
State Street Global Markets	133,702	$ 619
J P Morgan Securities	59,288	554
Goldman Sachs	73,731	526
Credit Suisse Securities	204,670	491
Merrill Lynch	82,317	451
Morgan Stanley	57,597	436
Deutsche Bank	67,008	378
Barclays Capital, Inc.	22,454	343
UBS	71,054	315
Instinet	94,265	290
Citigroup Global Markets	27,567	287
Loop Capital Markets	22,626	233
Pershing	28,020	231
Converge Execution Solutions LLC	6,435	194
Investment Technology Group	17,835	167
Jefferies & Company	19,220	165
Societe Generale Bank and Trust	14,573	159
Hong Kong and Shanghai Banking Corp	86,322	113
Other Broker Fees	460,626	3,485
Total broker commissions	1,549,310	$ 9,437

(1) Proceeds from the sale and disbursements for the purchase of securities are reported net of brokers' commissions. As such, brokers' commissions are not included as investment expenses on the Statements of Changes in Plan Net Assets. Other broker fees include 322 brokers each receiving less than$100,000 in total commissions.

For the fiscal year ended June 30, 2013, total domestic equity commissions averaged .71 cents per share, and total international equity commissions averaged 10.23 basis points per share.

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

LARGEST STOCK & BOND HOLDINGS AT MARKET

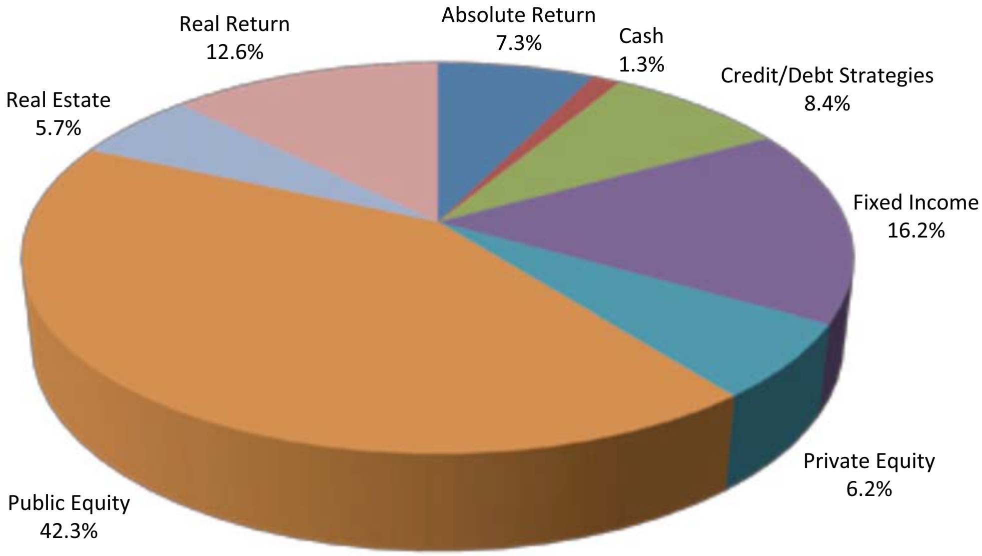
as of June 30, 2013

EQUITY INCOME SECURITIES:	Shares	Market Value
Apple, Incorporated	414,286	$ 164,090,399
Google, Incorporated CLA	148,546	130,775,442
Exxon Mobil Corporation	1,370,000	123,779,500
Amazon.Com Inc	388,439	107,865,626
Microsoft Corporation	2,748,323	94,899,593
Roche Holding AG Genusschein	381,237	94,689,737
Nestle SA Reg	1,346,643	88,172,630
JP Morgan Chase & Company	1,635,640	86,345,436
Johnson & Johnson	958,798	82,322,396
Pfizer Inc.	2,811,394	78,747,146
HSBC Holdings PLC	7,527,848	77,867,282
Chevron Corporation	639,330	75,658,312
General Electric Company	3,186,968	73,905,788
Wells Fargo & Company	1,551,049	64,011,792
Berkshire Hathaway Inc. CL B	552,518	61,837,815

FIXED INCOME SECURITIES:	Par Value	Market Value
United States Treasury Inflation Linked, 0.125%, due Jan 15, 2023	$ 212,631,324	$ 206,170,584
Federal National Mortgage Assn., TBA 3.0%, due Dec 1, 2099	167,145,000	163,305,679
United States Treasury Inflation Linked, 0.125%, due Jan 15, 2022	143,137,442	139,905,398
United States Treasury Inflation Linked, 2.375%, due Jan 15, 2025	114,153,952	135,985,896
United States Treasury Inflation Linked, 0.125%, due Jan 15, 2022	116,007,607	113,623,650
United States Treasury Inflation Linked, 0.125%, due Apr 15, 2017	109,789,610	112,646,336
United States Treasury Global Inflation Linked, 1.25%, due Nov 22, 2027	60,457,065	109,686,780
Federal National Mortgage Assn., TBA 3.5%, due Dec 1, 2099	107,410,000	109,038,336
United States Treasury Inflation Linked, 3.875%, due Apr 15, 2029	74,247,275	107,008,885
United States Treasury Inflation Linked, 0.125%, due Apr 15, 2016	101,607,353	104,218,662
United States Treasury Inflation Linked, 1.125%, due Jan 15, 2021	94,901,122	101,492,005
United States Treasury Global Inflation Linked, 0.125%, due Mar 22, 2024	62,903,738	99,126,962
United States Treasury Bill, .01%, due Jul 25, 2013	96,643,000	96,641,550
United States Treasury Bill, .01%, due Aug 8, 2013	90,895,000	90,892,128
United States Treasury Bill, .01%, due Nov 29, 2013	82,984,000	82,957,047

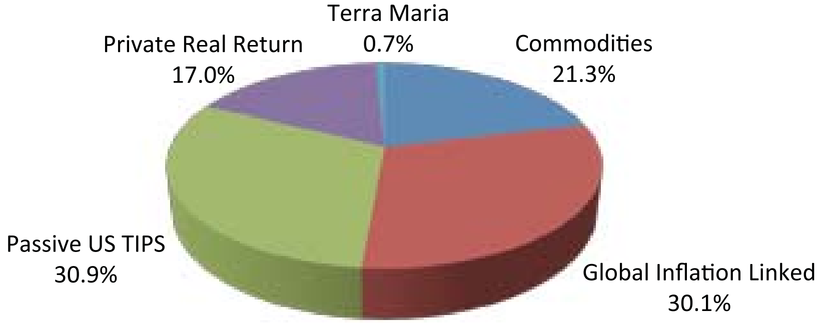
A complete list of portfolio holdings is available upon request.

INVESTMENT PORTFOLIO ALLOCATION
as of June 30, 2013

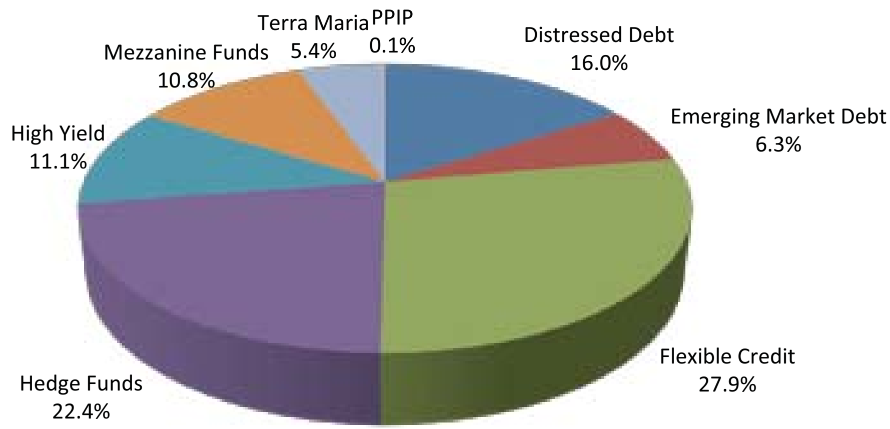


PUBLIC EQUITY DISTRIBUTION BY TYPE
as of June 30, 2013

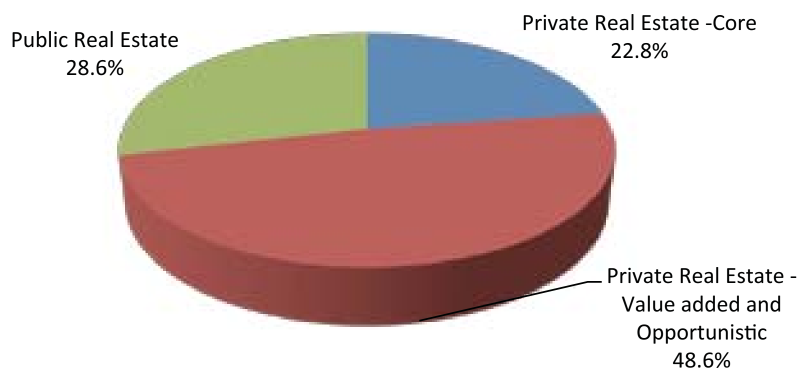
REAL RETURN DISTRIBUTION BY TYPE
as of June 30, 2013



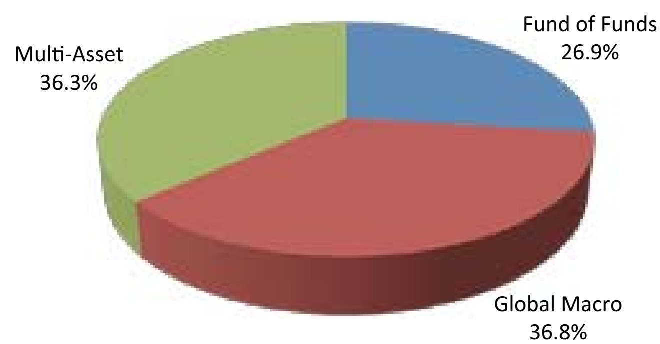
CREDIT/DEBT STRATEGIES DISTRIBUTION BY TYPE
as of June 30, 2013



REAL ESTATE DISTRIBUTION BY TYPE
as of June 30, 2013

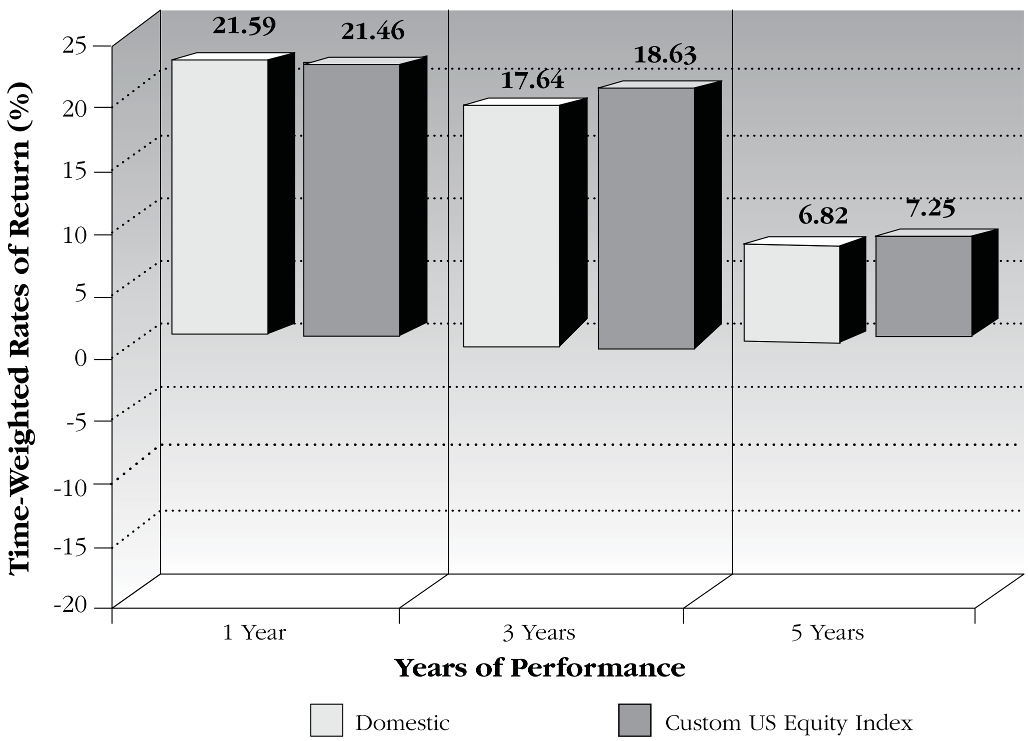


ABSOLUTE RETURN DISTRIBUTION BY TYPE
as of June 30, 2013

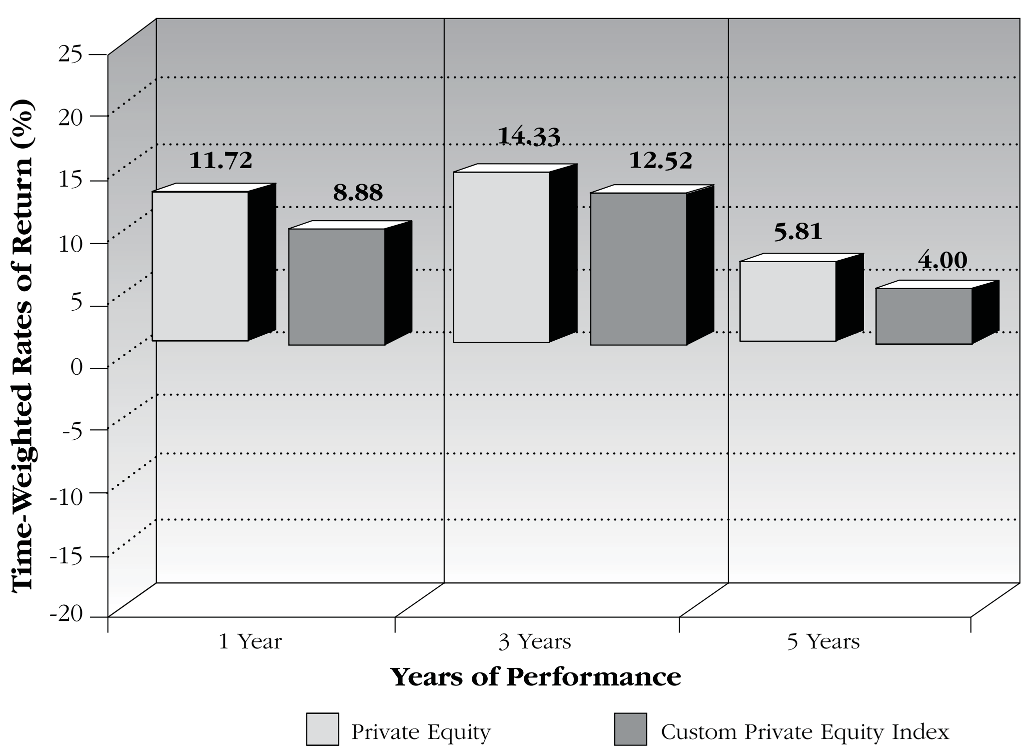


Comparative Investment Returns Ending June 30, 2013

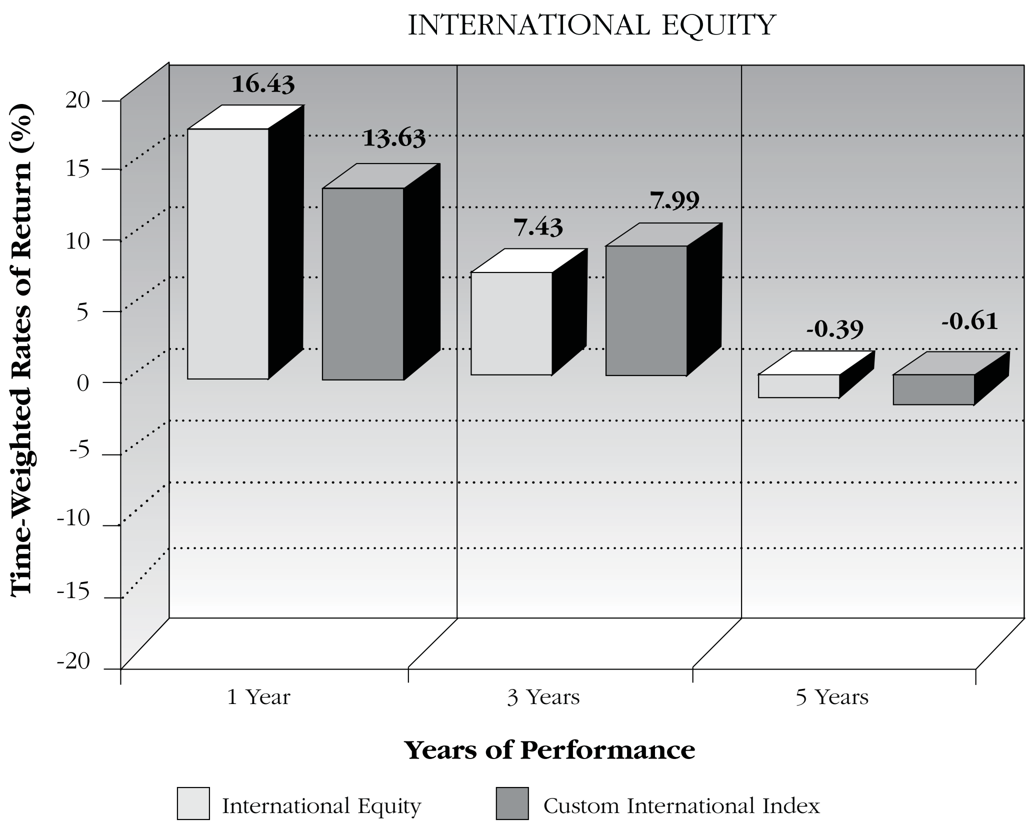
DOMESTIC EQUITY

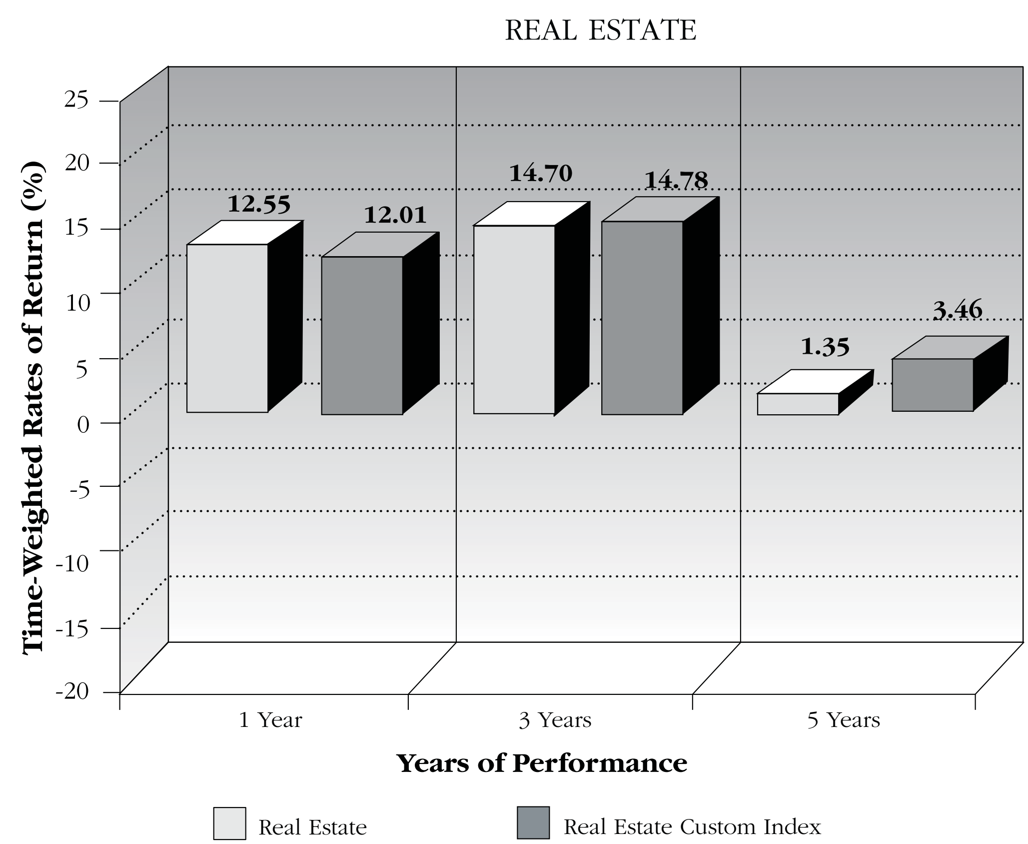


PRIVATE EQUITY

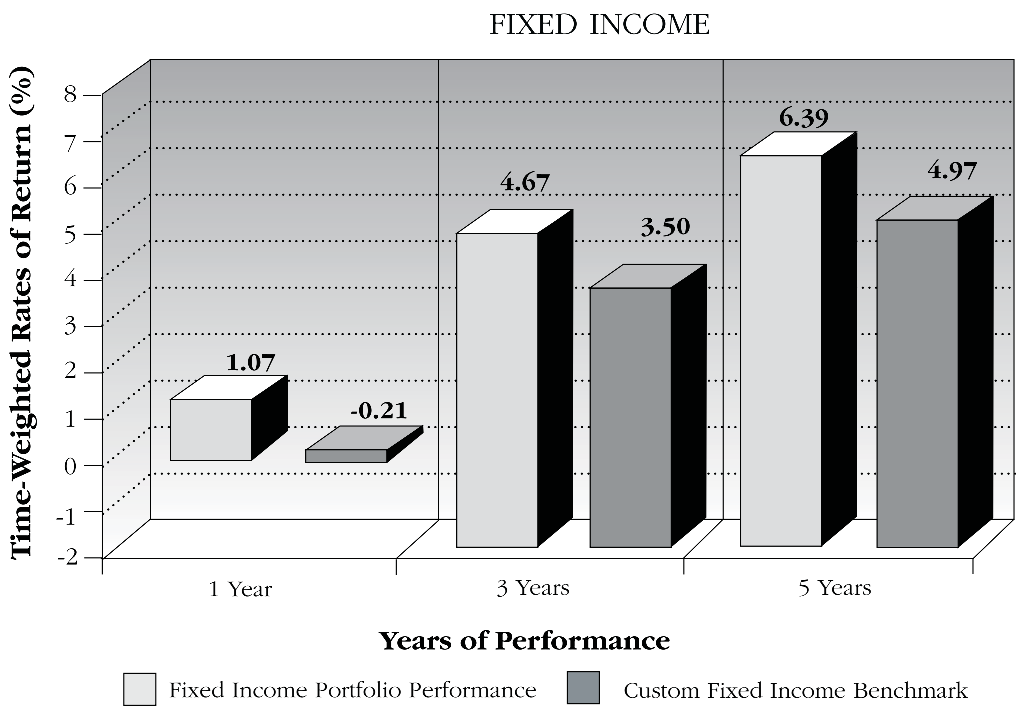


Comparative Investment Returns Ending June 30, 2013

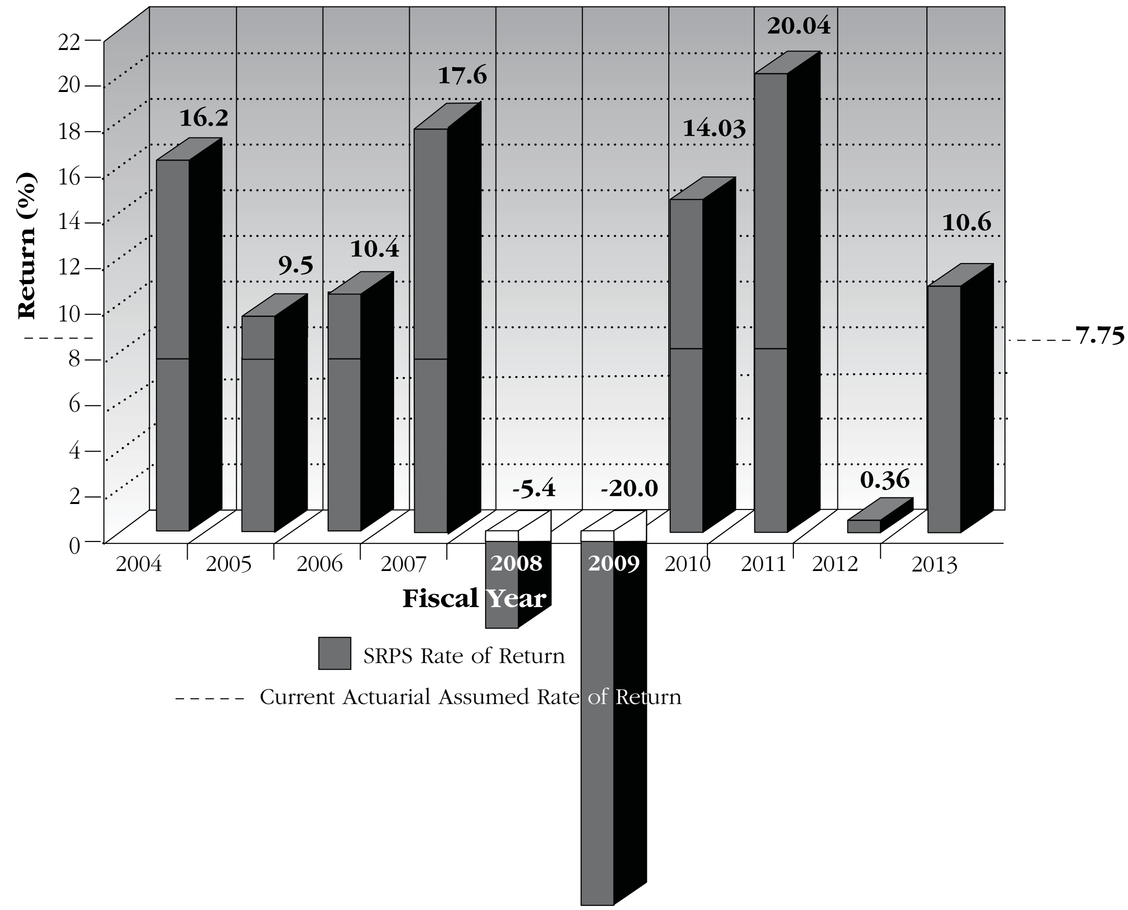




Comparative Investment Returns Ending June 30, 2013



TEN-YEAR HISTORY OF TIME-WEIGHTED ANNUAL RETURNS



TEN-YEAR GROWTH OF INVESTMENT PORTFOLIO